

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 2405 - HB 2600

March 8, 2012

SUMMARY OF BILL: Defines “county average annual wage” to mean the average wage for all industries for the county in which the qualified business enterprise is located, as reported by the Department of Labor and Workforce Development in the most recent annual quarterly census of employment and wages. Authorizes job tax credits to any qualified business enterprise upon the creation of less than 25 qualified jobs in high-technology areas that pay more than 200 percent of the county average annual wage. Requires the Commissioners of the Department of Revenue (DOR) and the Department of Economic and Community Development (ECD) to determine the number of qualified jobs necessary for the taxpayer to receive the tax credit. Any such tax credits authorized will be contingent upon the Commissioners making a determination that any such tax credits are in the best interests of the state.

ESTIMATED FISCAL IMPACT:

On February 18, 2012, a fiscal note was issued estimating a fiscal impact as follows:

Forgone State Revenue – Exceeds \$67,500

Other Fiscal Impact – The extent of forgone state revenue will increase over time as additional businesses qualify for the proposed tax credits. In addition, secondary economic impacts may occur as a result of this bill. Such impacts may be realized if an increased business presence in Tennessee is prompted by passage of this bill. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Due to incomplete information, this impact was in error. Based upon additional information received from the Department of Revenue, the estimated impact is:

(CORRECTED)

NOT SIGNIFICANT

Assumptions:

- According to DOR, the Commissioner may authorize job tax credits to a qualified business enterprise located in an enhancement county when the qualified business enterprise creates less than 25 jobs pursuant to Tenn. Code Ann. § 67-4-2109(b)(3)(B).

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- DOR further indicates that all counties in the state are currently classified as a Tier 1, Tier 2, or Tier 3 enhancement county.
- This bill effectively requires any qualified business enterprise that creates new jobs in high technology areas, that would otherwise qualify for job tax credits pursuant to Tenn. Code Ann. § 67-4-2109(b)(3)(B), to pay wages which are more than 200 percent of the county average annual wage.
- Based on information provided by DOR, any business entity that would qualify for job tax credits under this bill are anticipated to qualify for the same job tax credits pursuant to Tenn. Code Ann. § 67-4-2109(b)(3)(B), without having to necessarily pay wages which are more than 200 percent of the county average annual wage. Therefore, no additional tax credits are expected to be authorized as a result of this bill. As a result, the fiscal impact of this bill is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/rnc